

SECRET10 Jan 63
CIA No. 1703

MEMORANDUM FOR: Mr. Philip H. Trezise
Deputy Assistant Secretary
Bureau of Economic Affairs
Department of State
Washington 25, D. C.

SUBJECT: Setbacks in Soviet Agriculture

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1. Late last month [] sent you a report, "Recent Trends in Soviet Economic Policy," which pointed up the growing competition for scarce resources between investment demands and those occasioned by the acceleration of the arms and space races. That report also indicated that Khrushchev might find it necessary to divert additional investment funds to shore up agriculture, where output was known to be lagging.

2. We have now analyzed the information on 1962 farm output, and find that production last year was about equal to that of 1958. Over this same period the population of the USSR increased 7 percent (3.5 million persons per annum). While admittedly 1958 was a bumper crop year there has been no progress toward the grandiose and highly publicized agricultural goals of the Seven Year Plan. You will remember that in 1962 consumer dissatisfaction in the Soviet Union over food supplies and prices not only was a significant cause of some general unrest but in a few places was a factor which sparked civilian rioting. We believe that unless Khrushchev takes strong measures, such as drawing down heavily on state reserves and curtailing exports, there may well be further instances of civil disorder in the coming months, particularly in the North European USSR.

3. The attached report, "Setbacks in Soviet Agriculture," focuses on the major production problems of 1962 -- the serious shortfall in the output of potatoes and the generally poor crop yields throughout the northern European part of the country. When these difficulties are considered in the light of the generally unsatisfactory performance of other sectors of Soviet agriculture in 1962, principally grain, and the persistently poor record of farm output since 1958, the pervasive and cumulative nature of the problem becomes more apparent. Even the crop year of 1958 was a bumper year only in terms of the Soviet scale of values and fell far short of resolving the basic deficiencies of agricultural production.

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4. The failure of agriculture to respond to the inexpensive palliatives of the past few years, such as the reorganization to give the Party greater control and the plowing-up of fallow land, must be causing the Soviet leaders to re-examine their investment priorities. While all leaders do not share Khrushchev's apparent enthusiasm for agricultural development, the shortages of 1963 will increase pressures on the regime to give farm output a higher priority.

/s/
RAY S. CLINE
Deputy Director (Intelligence)

Enclosure

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10 JAN 1963

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MEMORANDUM FOR: Mr. McGeorge Bundy
Special Assistant to the President for
National Security Affairs
The White House
Washington 25, D. C.

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RAY S. CLINE

Deputy Director (Intelligence)

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Copies of same memo also sent to:

1. Walt W. Rostow, Chairman, Policy Planning Council, State cy #111
2. Leslie Brady, Assistant Director, Soviet Bloc Affairs, USIA cy #110
3. Honorable Llewellyn E. Thompson, Ambassador at Large, State cy #112
4. The Honorable Paul H. Nitze, Assistant Secretary of Defense for ISA, Defense cy #114
5. Carl Kayser, Dep. Special Asst. to the President for National Security Affairs cy #115
6. Mr. Richard H. Davis, Deputy Asst. Secretary, Bureau of European Affairs, State cy #105

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